

**Strothman & Company P S C**

Certified Public Accountants & Advisors



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Financial Statements

**Louisville/Jefferson County Metro  
Revenue Commission**

A Component Unit of the Louisville/Jefferson  
County Metro Government

June 30, 2008 and 2007

Financial Statements

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

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**Report on Internal Control over Financial Reporting and on Compliance  
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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Louisville/Jefferson County  
Metro Revenue Commission  
Kentucky

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

President

*Jeffrey R. Egan*

Executive Director

## Independent Auditors' Report



Commissioners  
Louisville/Jefferson County Metro Revenue Commission  
Louisville, Kentucky

We have audited the accompanying financial statements of the proprietary fund and fiduciary funds of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the years ended June 30, 2008 and 2007, as indicated in the accompanying table of contents, which collectively comprise the Metro Revenue Commission's financial statements. These financial statements are the responsibility of the Metro Revenue Commission's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Metro Revenue Commission's proprietary fund and fiduciary funds as of June 30, 2008 and 2007, and the changes in its proprietary fund's net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 on our consideration of the Metro Revenue Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Metro Revenue Commission's basic financial statements. The combining and individual fund financial statements on pages 21 through 29 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information presented in the introductory section on pages i has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*STROTHMAN & COMPANY PSC*

Louisville, Kentucky  
October 30, 2008

Management's Discussion and Analysis (Unaudited)

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2008

Management's discussion and analysis ("MD&A") of the Louisville/Jefferson County Metro Revenue Commission's ("Metro Revenue Commission") financial performance provides an overview of the financial activities associated with the collection of license fees, certain taxes, and other charges, and the Louisville Water Company dividend for the Louisville/Jefferson County Metro Government ("Metro Government"). These financial statements include all of the funds associated with the Metro Revenue Commission for the fiscal year ended June 30, 2008. Please read it in conjunction with the Metro Revenue Commission's basic financial statements, which begin on page 6.

The Metro Revenue Commission is a component unit of the Metro Government. The Metro Revenue Commission's MD&A should be read in conjunction with the MD&A of the Metro Government. For a description of the Metro Revenue Commission activities and different fund types, see Note A to the notes to financial statements which begins on page 10.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statements of net assets, statements of revenues, expenses and changes in net assets and the statements of cash flows for the proprietary/enterprise fund (on pages 6 - 8) provide information about the operations of the Metro Revenue Commission. These statements include all assets, liabilities, revenues and expenses of the Metro Revenue Commission using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Metro Revenue Commission's MD&A only reports on the proprietary/enterprise fund as this fund accounts for the Metro Revenue Commission's operations.

The combining and individual statements of fiduciary net assets are presented because the Metro Revenue Commission is financially accountable for those resources although they belong to the fiduciaries of the Metro Revenue Commission.

**Statements of Net Assets**

Assets of the Metro Revenue Commission increased 18.4% (\$59,573,228 as of June 30, 2008 compared to \$50,304,002 at June 30, 2007) due to an increase in cash received from taxpayers.

Total liabilities of the Metro Revenue Commission increased 18.7% (\$50,095,909 as of June 30, 2007 to \$59,456,177 as of June 30, 2008). Deferred revenue and refunds payable increased approximately \$2.5 million dollars as of June 30, 2008 due to large tax deposits by several taxpayers. Due to other funds increased approximately 16.4% from \$40,047,697 as of June 30, 2007 to \$46,617,321 as of June 30, 2008 due mainly to Louisville Metro Government's dividend payment from the Louisville Water Company. The dividend increased 28.0% (\$14,474,542 as of June 30, 2007 to \$18,531,912 as of June 30, 2008) for fiscal year 2008.

Total net assets of the Metro Revenue Commission decreased 43.8% as of June 30, 2008. See Statement of Revenues, Expenses and Changes in Net Assets on page 7.

Continued

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2008

**Statements of Revenues, Expenses and Changes in Net Assets**

Total operating revenues of the Metro Revenue Commission decreased 3.0% from \$4,818,370 for fiscal year 2007 to \$4,672,528 for fiscal year 2008. Operating revenues are generated from collection fees charged to our fiduciaries. Collection fees are assessed at 1.35% of tax collections for all fiduciaries except Transient Room Tax Accounts, which are assessed at 1.25% collection fee and a 10% investment income fee. Any surplus operating revenue is returned to the Louisville Metro Government's General Fund.

Total expenses increased 1.3%, from \$4,692,148 in fiscal year 2007 to \$4,754,119 in fiscal year 2008. This increase was due to costs related to moving to a new location as part of the transition of the Metro Revenue Commission with the Metro Finance and the Metro Technology departments.

The total change in net assets was a decrease of \$91,042 for fiscal year 2008 as compared to an increase of \$126,222 in fiscal year 2007.

Total withholding taxes increased by 4.4% to \$329,772,275 for fiscal year ended June 30, 2008. No significant factors were noted except for the usual salary increases as seen in prior years.

Total net profit taxes decreased 13.4% for fiscal year ended June 30, 2008. The previous years net profit tax receipts included a one time payment from a taxpayer for delinquent taxes. This taxpayer's deposits accounted for 2.5% of the net profit tax receipts in fiscal year ended June 30, 2007.

Insurance premium taxes experienced a decline of 1.2% for fiscal year ended June 30, 2008 versus a 4.8% increase for fiscal year ended June 30, 2007.

Transient Room Taxes increased 10.3% for fiscal year ended June 30, 2008. This increase can be partially attributed to the increase of new hotels, increased occupancy rates, and the cost of rooms during the year.

**Capital Assets**

The Metro Revenue Commission did not purchase any capital assets during the fiscal year ended June 30, 2008.

**Economic Factors**

There have been employment cutbacks by several major employers and decreases in local employment rates. These potential decreases may be offset by an increase in tax revenue due to the local adoption of HB 107 (Local Tax Standardization), providing for modest growth in fiscal year ending June 30, 2009.

The escalating costs in material and fuel and the tightening of credit by banks and lenders will pose a real threat to business net profits in the next year.

Continued

Management's Discussion and Analysis (Unaudited)--Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2008

Insurance premiums are expected to show little or no increase because of the overall economic conditions.

The occupancy rate of local hotels and motels should continue to remain steady. The increase in room costs will provide for modest growth of transient room taxes.

**Contacting the Metro Revenue Commission's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors, creditors and elected public officials with a general overview of the Metro Revenue Commission's finances and to show the Metro Revenue Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Metro Revenue Commission at:

Louisville Metro Revenue Commission  
617 West Jefferson Street  
Louisville, Kentucky 40202

## **ENTERPRISE FUND**

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Enterprise funds are a type of proprietary fund used to report activity for which a fee is charged to external users for goods or services.

The Enterprise Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission's operations.

Statements of Net Assets - Proprietary Fund - Enterprise Fund

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of the Louisville/Jefferson County Metro Government

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 59,311,216	\$ 49,929,786
<b>Capital Assets</b> , net of accumulated depreciation	<u>262,012</u>	<u>374,216</u>
<b>Total Assets</b>	59,573,228	50,304,002
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Deferred revenue and refunds payable	11,055,448	8,551,310
Accounts payable and accrued expenses	1,783,408	1,496,902
Due to other funds	<u>46,617,321</u>	<u>40,047,697</u>
<b>Total Current Liabilities</b>	<u>59,456,177</u>	<u>50,095,909</u>
<b>Net Assets</b>	<u>\$ 117,051</u>	<u>\$ 208,093</u>

See Notes to Financial Statements

Statements of Revenues, Expenses and Changes in Net Assets - Proprietary Fund  
- Enterprise Fund

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of the Louisville/Jefferson County Metro Government

	<b>Year Ended June 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Operating Revenues</b>		
Collection, investment and other fees	\$ 4,672,528	\$ 4,818,370
<b>Operating Expenses</b>		
Salaries	2,101,844	2,384,708
Employee benefits:		
Health and life insurance	281,107	299,115
Pension	324,873	288,427
Payroll taxes	148,309	175,515
Computer services	20,400	20,400
Building rent	185,518	185,518
Building and office expense	35,570	35,216
Professional services	906,776	534,733
Postage	231,708	218,204
Forms and printing	81,738	111,097
Equipment maintenance and repair	108,017	16,855
Equipment purchases	26,388	40,010
Software licenses	70,406	71,547
Supplies	23,238	25,600
Telephone	40,199	42,579
Court fees and costs	33,914	20,386
Depreciation	102,753	114,239
Travel	2,737	7,395
Miscellaneous	28,624	100,604
<b>Total Operating Expenses</b>	<b>4,754,119</b>	<b>4,692,148</b>
<b>Operating Income (Loss)</b>	<b>(81,591)</b>	<b>126,222</b>
<b>Nonoperating Expense</b>		
Loss on disposal of fixed assets	(9,451)	-
<b>Change in Net Assets</b>	<b>(91,042)</b>	<b>126,222</b>
<b>Net Assets Beginning of Year</b>	<b>208,093</b>	<b>81,871</b>
<b>Net Assets End of Year</b>	<b>\$ 117,051</b>	<b>\$ 208,093</b>

See Notes to Financial Statements

Statements of Cash Flows - Proprietary Fund - Enterprise Fund

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

	<b>Year Ended June 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash Flows From Operating Activities</b>		
Net cash received from taxpayers	\$ 14,032,797	\$ 6,116,886
Cash paid to employees	(2,856,133)	(3,147,765)
Cash paid to suppliers	(1,795,234)	(1,430,144)
<b>Net Cash Provided By Operating Activities</b>	<b>9,381,430</b>	<b>1,538,977</b>
<b>Cash Flows From Capital Activities</b>		
Purchase of capital assets	-	(222,272)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>9,381,430</b>	<b>1,316,705</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>49,929,786</b>	<b>48,613,081</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 59,311,216</b>	<b>\$ 49,929,786</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</b>		
Operating income (loss)	\$ (81,591)	\$ 126,222
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation expense	102,753	114,239
Changes in assets and liabilities		
Decrease in due from Louisville Water Company		151,176
Increase in deferred revenue and refunds payable	2,504,138	244,840
Increase in accounts payable and accrued expenses	286,506	159,140
Increase in due to other funds	6,569,624	743,360
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 9,381,430</b>	<b>\$ 1,538,977</b>

See Notes to Financial Statements

## **AGENCY FUNDS**

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Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

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Louisville Metro Agency Funds account for the various duties of the Metro Revenue Commission as set forth in Louisville Metro Government Code of Ordinances Section 32.110.

The School Boards Agency Fund and Mass Transit Trust Agency Fund are used to account for the collection and dispersal of occupational license fees for local government units.

The Transient Room Tax Agency Fund collects the transient room tax for the Greater Louisville Convention and Visitors Bureau and the Kentucky Center and also for the debt service.

Statements of Fiduciary Net Assets - Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

	<b>June 30</b>	
	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Assets</b>		
Due from Enterprise Fund	\$ 46,617,321	\$ 40,047,697
<b>Total Assets</b>	<u><u>\$ 46,617,321</u></u>	<u><u>\$ 40,047,697</u></u>
<b>Liabilities</b>		
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ 640,761	\$ 640,761
Payable to Louisville/Jefferson County Metro Government:		
Louisville Metro Agency Fund	29,026,152	24,959,756
Mass Transit Trust Agency Fund	3,766,826	3,255,168
Transient Room Tax Agency Fund	2,389,357	1,794,200
Payable to School Boards Agency Fund	<u>10,794,225</u>	<u>9,397,812</u>
<b>Total Liabilities</b>	<u><u>\$ 46,617,321</u></u>	<u><u>\$ 40,047,697</u></u>

See Notes to Financial Statements

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note A--Description of Organization and Summary of Significant Accounting Policies**

The Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") was established by an Act of the Legislature of the Commonwealth of Kentucky in 1851. It operates as a component unit of the Louisville/Jefferson County Metro Government ("Louisville Metro Government").

The financial statements of the Metro Revenue Commission have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Government Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of Metro Revenue Commission's significant accounting policies:

1. Reporting Entity

The Metro Revenue Commission's financial statements include all funds and accounts of its operations. The Metro Revenue Commission is financially dependent upon the Louisville Metro Government. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Louisville Metro Government's General Fund. The Commissioners consist of the Mayor of the Louisville Metro Government, the Superintendent of the Jefferson County Public School System, the President of the Louisville Metro Council, and three citizen members appointed by the Mayor and approved by the Louisville Metro Council. The budget of the Metro Revenue Commission is formally approved by the Louisville Metro Council. The existence and operations of the Metro Revenue Commission are governed by the Louisville Metro Government Ordinances.

The primary functions of the Metro Revenue Commission are: (1) the collection of license fees, certain taxes, and other charges, and the Louisville Water Company dividend for the Louisville Metro Government; (2) collection and remittance of monies to paying agents for payments of the debt service requirements of the general obligation bonds of the Louisville Metro Government; (3) payment of the Metro Revenue Commission's administrative cost to carry out its duties; and (4) remission to the Louisville Metro Government of any monies remaining after these obligations are met. In addition to these duties, the Metro Revenue Commission acts as a collecting agent of certain license fees and taxes for other local governmental units, including the Jefferson County Board of Education, the Anchorage Board of Education, Greater Louisville Convention & Visitors Bureau and the Transit Authority of the River City.

2. Basis of Presentation

The accounts of the Metro Revenue Commission are organized on the basis of funds, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note A--Description of Organization and Summary of Significant Accounting Policies**

--Continued

Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities. The Metro Revenue Commission uses the following generic fund types in its activities:

Proprietary Fund Type

Enterprise Fund - The Enterprise Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission's operations; its services are provided to governmental organizations outside of the financial reporting entity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. The principal operating revenues of the Enterprise Fund are collection fees, interest earned on investments, and other fees. Operating expenses include salaries and related taxes and benefits, rent, postage, professional services, depreciation, and other costs of conducting collection activities. All revenues and expenses not meeting this definition are reported as non-operating items.

As noted above, the Metro Revenue Commission is a component unit of Louisville Metro Government. As such, its financial statements are included within the financial statements of Louisville Metro Government. Because Louisville Metro Government is the predominant participant in the activities of the Metro Revenue Commission, and the Commission is financially dependant on Louisville Metro Government, their financial statements will reflect the Metro Revenue Commission as an internal service fund as a blended component unit.

Fiduciary Fund Type

Fiduciary Funds have been established to account for monies collected on behalf of other governmental entities.

Louisville Metro Agency Funds - The Louisville Metro Agency Funds account for the various duties of the Metro Revenue Commission as set forth in the Louisville Metro Government Code of Ordinances Section 32.110. The following is a description of each of the Louisville Metro Agency Funds:

Tax Collections and Other Receipts Agency Fund - This fund is used to account for collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, other special taxes, interest and penalties, and interest earned on investments. These collections are then remitted monthly to the Louisville Metro Government, net of operating expenses paid by the Metro Revenue Commission and the current year debt service requirements on the Louisville Metro Government's general obligation bonds. Funds required to cover operating expenses are retained by the Enterprise Fund.

Continued

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note A--Description of Organization and Summary of Significant Accounting Policies**

--Continued

Louisville Water Company Agency Fund - The Metro Revenue Commission collects dividends on the stock of the Louisville Water Company. Dividends collected by the Metro Revenue Commission are then remitted to the Louisville Metro Government. The collection and subsequent remittance of these dividends are reflected in this agency fund.

Current Debt Requirement Agency Fund - The Current Debt Requirement Agency Fund is used to accumulate funds from the Louisville Metro Government's tax collections to pay the annual bond principal and interest requirements on the Louisville Metro Government's general obligation bonds. Bond principal and interest requirements were \$5,335,000 and \$5,582,526, respectively, for the year ended June 30, 2008 and \$4,200,000 and \$5,303,050, respectively, for the year ended June 30, 2007. The total amount of general obligation bonds is reported by the Louisville Metro Government in its financial statements.

As previously noted, the financial statements of the Metro Revenue Commission are also included within the financial statements of Louisville Metro Government. For financial reporting purposes, Louisville Metro Government will reflect the Louisville Metro Agency Funds referred to above as amounts due to its General Fund within the internal service fund.

School Boards Agency Fund –

The Metro Revenue Commission collects the occupational license fees and net profit license fees for the Jefferson County Board of Education and the Anchorage Independent School District in the School Boards Agency Fund.

A collection fee of 1.35% of collections is charged by the Metro Revenue Commission. Remittances to the governmental units of the prior month's collections are made on the day following the Commissioners' regular monthly meeting.

Mass Transit Agency Fund –

The Metro Revenue Commission collects the occupational license fees and net profit license fees for the Transit Authority of the River City in the Mass Transit Trust Agency Fund.

A collection fee of 1.35% of collections is charged by the Metro Revenue Commission. Remittances to the governmental unit of the prior month's collections are made on the day following the Commissioners' regular monthly meeting.

Transient Room Tax Agency Fund –

The Metro Revenue Commission collects the transient room tax for the Greater Louisville Convention and Visitors Bureau (the "Visitors Bureau") and the Kentucky Center for the Arts, and accounts for proceeds in the Transient Room Tax Agency Fund.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note A--Description of Organization and Summary of Significant Accounting Policies**

--Continued

A collection fee of 1.25% of collections is charged by the Metro Revenue Commission. On the day following the regular monthly Commissioners' meeting, remittance is made to the Louisville Metro Government, which then disburses the tax collected to the Greater Louisville Convention and Visitors Bureau and the Kentucky Center for the Arts.

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by the proprietary fund. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The proprietary fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Collection fee revenue in the Enterprise Fund is recognized when the tax collection is earned for a governmental unit. Expenses in the Enterprise Fund are recognized when the liability is incurred.

The Metro Revenue Commission reports deferred revenue on its statement of net assets. The Metro Revenue Commission collects taxes on certain types of income with which the taxpayers disagree and for which the taxpayers have filed claims for refunds. The Metro Revenue Commission records such amounts as deferred revenue to preclude charging the various agencies a collection fee and to preclude premature distribution of the tax receipts to the respective governmental units until the disputes are resolved.

All agency funds are accounted for on the modified accrual basis. Agency funds are custodial in nature and do not involve measurement of the results of operations.

4. Budget and Budgetary Accounting

By ordinance, the Metro Revenue Commission's appropriations come from the Louisville Metro Government's tax collections in an amount sufficient to meet all of its administrative expenses. Appropriations lapse at the end of the year. The Metro Revenue Commission's budget is first approved by the Commissioners, and then submitted for approval by the Louisville Metro Council as part of the Louisville Metro Government's budget. The budget, which may be amended during the year, is adopted on a basis consistent with GAAP.

5. Interfund Transactions

All collections are received in the Enterprise Fund and recorded as a liability to the appropriate agency funds. All disbursements of collections to the various governmental units are made from the Enterprise Fund and recorded in the various agency funds through the interfund accounts. The Agency Funds use the accrual basis of accounting to recognize receivables and payables.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note A--Description of Organization and Summary of Significant Accounting Policies**

--Continued

6. Capital Assets

Capital assets are recorded at cost. Purchases of furniture, fixtures, equipment and software are capitalized if the value is \$1,500 or greater. Repairs and maintenance are recorded as expenses. Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. The estimated useful lives are five years for equipment and software, and ten years for furniture and fixtures.

7. Compensated Absences

Vested and accumulated vacation leave for employees of the Enterprise Fund is recorded as an expense and a liability as the benefits accrue to employees. Vacation pay may be accumulated up to 60 days.

Earned vacation pay, up to a maximum of 40 days, is payable upon termination of employment. Unpaid vacation earned at June 30, 2008 and 2007 were approximately \$145,000 and \$166,000, respectively, including applicable FICA and Medicare taxes.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Sick leave, which has no maximum accumulation, is charged to expense when paid. Unpaid sick leave earned at June 30, 2008 and 2007 were approximately \$461,000 and \$458,000, respectively, including applicable FICA and Medicare taxes.

8. Statement of Cash Flows

For purposes of the statement of cash flows, the Metro Revenue Commission considers cash on hand and demand deposits to be cash and cash equivalents.

9. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, net assets, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note B--Deposits and Investments**

The bank balances at June 30, 2008 and 2007, including cash with paying agents, were \$8,666,718 and \$10,417,476, respectively. Of this amount, \$200,000 was covered by federal depository insurance. The remainder was collateralized by the bank holding securities in the Metro Revenue Commission's name.

The investment balances at June 30, 2008 and 2007 of \$51,211,777 and \$40,536,731, respectively, consists of money market mutual funds (investing in U. S. Government securities) with JP Morgan Securities. Investments at JP Morgan had an average weighted maturity of approximately two months and a credit rating of Aaa as supplied by Moody's. Such investments are included on the statement of net assets as cash and cash equivalents.

Interest income is remitted to the Louisville Metro Government and to the various governmental units in accordance with an agreed-upon allocation formula. An investment fee of 10% of investment income is charged to the Transient Room Tax Agency Fund.

Custodial Credit Risk – Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Metro Revenue Commission may not be able to recover the value of its assets held by such financial institution. The Metro Revenue Commission's investment policy states that all cash maintained in any financial institution be collateralized by certain types of investments. With the express approval of the Commissioners, the Metro Revenue Commission may invest up to 10% of its investment portfolio in uninsured certificates of deposit at authorized financial institutions.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. Metro Revenue Commission's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the "prudent person rule" outlined in the Metro Revenue Commission's investment policy. The policy states that "investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived." The investment policy does not address diversification of the investment portfolio, but does provide the following guidelines on the types of investments that can be made.

Continued

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note B--Deposits and Investments--Continued**

In accordance with its investment policy, the Metro Revenue Commission is permitted to invest in the following:

- (1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- (2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States government.
- (3) Obligations of any corporation of the United States government.
- (4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which is insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured.
- (5) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- (6) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
- (7) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.

**Note C--Capital Assets**

An analysis of capital assets at June 30, 2008 follows:

	<u>July 1 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30 2008</u>
Equipment and software	\$ 4,366,942		\$ (386,852)	\$ 3,980,090
Accumulated depreciation	<u>(4,024,102)</u>	<u>\$ (95,687)</u>	<u>382,310</u>	<u>(3,737,479)</u>
Net equipment and software	342,840	(95,687)	(4,542)	242,611
Furniture and fixtures	487,243		(401,964)	85,279
Accumulated depreciation	<u>(455,867)</u>	<u>(7,066)</u>	<u>397,055</u>	<u>(65,878)</u>
Net furniture and fixtures	<u>31,376</u>	<u>(7,066)</u>	<u>(4,909)</u>	<u>19,401</u>
<b>Capital Assets, net of accumulated depreciation</b>	<u>\$ 374,216</u>	<u>\$ (102,753)</u>	<u>\$ (9,451)</u>	<u>\$ 262,012</u>

Continued

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note C--Capital Assets--Continued**

An analysis of capital assets at June 30, 2007 follows:

	<u>July 1 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30 2007</u>
Equipment and software	\$ 4,263,513	\$ 220,110	\$ (116,681)	\$ 4,366,942
Accumulated depreciation	<u>(4,037,215)</u>	<u>(103,568)</u>	<u>116,681</u>	<u>(4,024,102)</u>
Net equipment and software	226,298	116,542	-	342,840
Furniture and fixtures	485,081	2,162		487,243
Accumulated depreciation	<u>(445,196)</u>	<u>(10,671)</u>		<u>(455,867)</u>
Net furniture and fixtures	<u>39,885</u>	<u>(8,509)</u>	<u>-</u>	<u>31,376</u>
<b>Capital Assets, net of accumulated depreciation</b>	<u>\$ 266,183</u>	<u>\$ 108,033</u>	<u>\$ -</u>	<u>\$ 374,216</u>

**Note D--Risk Management**

The Metro Revenue Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Insurance and Risk Management Fund ("Risk Fund"), a Louisville Metro internal service fund, was established in 1976 to consolidate all of the Louisville Metro Government's insurance or self-insurance under a comprehensive risk management program. This program currently includes all Metro agencies. The Risk Fund consists of a comprehensive self-insurance program relating to the following:

1. Automobile Liability: Self-insured up to \$500,000 per occurrence. Excess coverage is purchased through the Louisville Area Governmental Self-Insurance Trust ("LAGIT").
2. Worker's Compensation (covering all employees): Self-insured up to \$1,000,000 per occurrence deductible with a \$1,000,000 deductible. Excess coverage is purchased above these retained levels.
3. Unemployment Compensation: Completely self-insured.
4. Group Health Coverage: Various programs are available as an option to all full-time employees.

Continued

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note D--Risk Management--Continued**

5. General Liability: Various general liability exposures self-insured up to \$500,000 per occurrence. Employer's liability has a \$1,500,000 per occurrence deductible (\$1,000,000 limit of liability above a \$500,000 self-insured retention is provided by an underlying commercial excess insurance policy). Excess coverage is purchased through LAGIT.
6. Automobile Physical Damage: Self-insured up to \$100,000 per occurrence. Excess coverage is purchased for catastrophic losses.
7. Real and Business Personal Property: Self-insured up to \$250,000 per occurrence, except for Flood Zone A which shall have a deductible of \$250,000 in addition to the amount of coverage available under the National Flood Insurance Program, whether purchased or not. Excess coverage is purchased on a blanket limit basis for all Metro properties through Louisville Area Governmental General Insurance Trust ("LAGGIT"), a property insurance trust.

**Note E--Interfund Transfers**

Interfund receivable and payable balances at June 30, 2008 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Enterprise Fund		\$ 46,617,321
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 640,761	
Tax Collections and Other Receipts Agency Fund	29,026,152	
Mass Transit Trust Agency Fund	3,766,826	
Transient Room Tax Agency Fund	2,389,357	
School Boards Agency Fund	<u>10,794,225</u>	
	<u>\$ 46,617,321</u>	<u>\$ 46,617,321</u>

Continued

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note E--Interfund Transfers**

Interfund receivable and payable as of June 30, 2007, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Enterprise Fund		\$ 40,047,697
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 640,761	
Tax Collections and Other Receipts Agency Fund	24,959,756	
Mass Transit Trust Agency Fund	3,255,168	
Transient Room Tax Agency Fund	1,794,200	
School Boards Agency Fund	<u>9,397,812</u>	
	<u>\$ 40,047,697</u>	<u>\$ 40,047,697</u>

**Note F--Commitments**

The Metro Revenue Commission leased office space under an agreement requiring rental payments of approximately \$16,000 per month through June 2008. Rental expense under the agreement was \$185,518 for each of the years ended June 30, 2008 and 2007. The lease expired on June 30, 2008 and was not renewed for fiscal year 2009.

**Note G--Related Party Transactions**

Although the Metro Revenue Commission operates as an independent agency and provides services to several governmental units including the Louisville Metro Government, the Jefferson County School Board, and others, it draws its authority to operate from the Louisville Metro Government Code of Ordinances. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Louisville Metro Government General Fund.

The Statement of Net Asset-Proprietary Fund-Enterprise Fund reflects a \$550,250 and \$100,000 payable for June 30, 2008 and 2007, respectively, for professional services incurred by the Metro Revenue Commission for services received from Louisville Metro Government, and \$4,570 and \$6,199 for June 30, 2008 and 2007, respectively, for reimbursable expenses incurred by Metro Revenue Commission.

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008 and 2007

**Note H--Post-Employment Health Care Benefits**

Retired Metro Revenue Commission employees may receive some health care benefits from the County Employees' Retirement System (the "System") at no cost to the Metro Revenue Commission. The System provides group rates on medical insurance and health maintenance organization ("HMO") coverage for Metro Revenue Commission retirees. In addition, a retiree may pay the cost to obtain coverage for a spouse and dependent children at the same group rates. Participation in the medical insurance/HMO program is optional. Depending on years of service, the amount paid for a retiree by the System is based on the amount of a single coverage premium in the state contract, with the retiree paying any additional cost of coverage.

**Note I--Employee Retirement Systems**

All Metro Revenue Commission full-time employees, as Louisville Metro Government employees, participate in the County Employees' Retirement System, a cost-sharing, multi-employer state-wide defined benefit pension plan administered by the Kentucky Retirement System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members. Cost-of-living adjustments are provided at the discretion of the State legislature.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the County Employees' Retirement System. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

The Metro Revenue Commission was required by the same statute to contribute at an actuarially determined rate of 16.17% and 13.19% during the years ended June 30, 2008 and 2007, respectively. Contributions for the year ended June 30, 2008 was approximately \$424,000, of which \$324,000 was the Metro Revenue Commission and \$100,000 was from employees. Contributions for the year ended June 30, 2007 was approximately \$398,000, of which \$288,000 was the Metro Revenue Commission and \$110,000 was from employees. The Metro Revenue Commission's share of the contribution to the Plan for 2006 was approximately \$255,000. The above contributions were equal to the required contributions for each year.

**Note J--Deferred Compensation**

The Metro Revenue Commission's employees are offered the opportunity to participate in the Louisville Metro Government deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. Metro Revenue Commission therefore does not show these assets and liabilities on its financial statements.

**Combining and Individual  
Fund Financial Statements**

Combining Statement of Fiduciary Net Assets - All Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008

	<b>Louisville Metro Agency Funds</b>	<b>School Boards Agency Fund</b>	<b>Mass Transit Trust Agency Fund</b>	<b>Transient Room Tax Agency Fund</b>	<b>Totals</b>
<b>Assets</b>					
Due from Enterprise Fund	\$ 29,666,913	\$ 10,794,225	\$ 3,766,826	\$ 2,389,357	\$ 46,617,321
<b>Total Assets</b>	<b>\$ 29,666,913</b>	<b>\$ 10,794,225</b>	<b>\$ 3,766,826</b>	<b>\$ 2,389,357</b>	<b>\$ 46,617,321</b>
<b>Liabilities</b>					
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761				\$ 640,761
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds	29,026,152				29,026,152
Mass Transit Trust Agency Fund			\$ 3,766,826		3,766,826
Transient Room Tax Agency Fund				\$ 2,389,357	2,389,357
Payable to School Boards Agency Fund		\$ 10,794,225			10,794,225
<b>Total Liabilities</b>	<b>\$ 29,666,913</b>	<b>\$ 10,794,225</b>	<b>\$ 3,766,826</b>	<b>\$ 2,389,357</b>	<b>\$ 46,617,321</b>

Combining Statement of Changes in Assets and Liabilities - All Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>
<b><u>Louisville Metro Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agent		\$ 10,950,857	\$ 10,950,857	
Due from Enterprise Fund	\$ 25,600,517	331,157,337	327,090,941	\$ 29,666,913
<b>Total Assets</b>	<b>\$ 25,600,517</b>	<b>\$ 342,108,194</b>	<b>\$ 338,041,798</b>	<b>\$ 29,666,913</b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761	\$ 10,950,857	\$ 10,950,857	\$ 640,761
License fee collections payable: Louisville Metro Agency Funds	24,959,756	331,157,337	327,090,941	29,026,152
<b>Total Liabilities</b>	<b>\$ 25,600,517</b>	<b>\$ 342,108,194</b>	<b>\$ 338,041,798</b>	<b>\$ 29,666,913</b>
<b><u>School Boards Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	\$ 9,397,812	\$ 117,166,524	\$ 115,770,111	\$ 10,794,225
<b>Liabilities</b>				
License fee collections payable to School Boards Agency Fund	\$ 9,397,812	\$ 117,166,524	\$ 115,770,111	\$ 10,794,225

Continued

Combining Statement of Changes in Assets and Liabilities - All Agency Funds--Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<b><u>Mass Transit Trust Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	<u>\$ 3,255,169</u>	<u>\$ 40,949,378</u>	<u>\$ 40,437,721</u>	<u>\$ 3,766,826</u>
<b>Liabilities</b>				
License fee collections payable to Mass Transit Trust Agency Fund	<u>\$ 3,255,169</u>	<u>\$ 40,949,378</u>	<u>\$ 40,437,721</u>	<u>\$ 3,766,826</u>
<b><u>Transient Room Tax Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	<u>\$ 1,794,199</u>	<u>\$ 20,081,367</u>	<u>\$ 19,486,209</u>	<u>\$ 2,389,357</u>
<b>Liabilities</b>				
Tax collections payable Transient Room Tax Agency Fund	<u>\$ 1,794,199</u>	<u>\$ 20,081,367</u>	<u>\$ 19,486,209</u>	<u>\$ 2,389,357</u>

Continued

Combining Statement of Changes in Assets and Liabilities - All Agency Funds--Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash with				
paying agents		\$ 10,950,857	\$ 10,950,857	
Due from Enterprise Fund	\$ 40,047,697	509,354,606	502,784,982	\$ 46,617,321
<b>Total Assets</b>	<u>\$ 40,047,697</u>	<u>\$ 520,305,463</u>	<u>\$ 513,735,839</u>	<u>\$ 46,617,321</u>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761	\$ 10,950,857	\$ 10,950,857	\$ 640,761
Payable to Louisville/ Jefferson County Metro Government:				
Louisville Metro Agency Funds	24,959,756	331,157,337	327,090,941	29,026,152
Mass Transit Trust Agency Fund	3,255,169	40,949,378	40,437,721	3,766,826
Transient Room Tax Agency Fund	1,794,199	20,081,367	19,486,209	2,389,357
Payable to School Boards Agency Fund	9,397,812	117,166,524	115,770,111	10,794,225
<b>Total Liabilities</b>	<u>\$ 40,047,697</u>	<u>\$ 520,305,463</u>	<u>\$ 513,735,839</u>	<u>\$ 46,617,321</u>

Analysis of All Agency Funds Due From Enterprise Fund Accounts

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

Year Ended June 30, 2008

	<b>Louisville Metro Agency Funds</b>	<b>School Boards Agency Fund</b>	<b>Mass Transit Trust Agency Fund</b>	<b>Transient Room Tax Agency Fund</b>	<b>Totals</b>
<b>Receipts and Additions</b>					
Occupational license fees and other special tax collections					
Employees' license fees	\$ 206,864,476	\$ 89,601,701	\$ 33,306,098		\$ 329,772,275
License fees based on					
business net profits	44,414,273	26,041,468	7,106,127		77,561,868
Insurance premium license fees	53,497,993				53,497,993
Truck and trailer license fees	119,731				119,731
Transient room tax				\$ 19,968,322	19,968,322
Interest and penalties charged					
taxpayers	3,041,461	1,146,025	403,639	50,234	4,641,359
Interest earned on investments	1,806,446	377,330	133,514	62,811	2,380,101
Dividends - Louisville Water Company	18,531,912				18,531,912
Expenses paid by Louisville Metro Government	2,881,045				2,881,045
<b>Total Receipts and Additions</b>	<b>331,157,337</b>	<b>117,166,524</b>	<b>40,949,378</b>	<b>20,081,367</b>	<b>509,354,606</b>
<b>Disbursements and Deletions</b>					
Payments to governmental agencies	313,885,066	114,193,457	39,886,707	19,229,697	487,194,927
Collection fee paid to the Enterprise Fund	2,288,349	1,576,654	551,014	250,232	4,666,249
Investment fee paid to the Enterprise Fund				6,280	6,280
Collections remitted to paying agents for Louisville Metro Government debt service:					
Principal	5,335,000				5,335,000
Interest	5,582,526				5,582,526
<b>Total Disbursements and Deletions</b>	<b>327,090,941</b>	<b>115,770,111</b>	<b>40,437,721</b>	<b>19,486,209</b>	<b>502,784,982</b>
<b>Excess of Receipts and Additions Over Disbursements and Deletions</b>	<b>4,066,396</b>	<b>1,396,413</b>	<b>511,657</b>	<b>595,158</b>	<b>6,569,624</b>
<b>Due From Enterprise Fund, Beginning of Year</b>	<b>25,600,517</b>	<b>9,397,812</b>	<b>3,255,169</b>	<b>1,794,199</b>	<b>40,047,697</b>
<b>Due from Enterprise Fund, End of Year</b>	<b>\$ 29,666,913</b>	<b>\$ 10,794,225</b>	<b>\$ 3,766,826</b>	<b>\$ 2,389,357</b>	<b>\$ 46,617,321</b>

See Independent Auditors' Report

## LOUISVILLE METRO AGENCY FUNDS

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The following section presents the combining statements of the Louisville Metro Agency Funds. The Louisville Metro Agency Funds are a component of the Revenue Commission Agency Funds. The combining statements for all Agency Funds are found on pages 26 – 29.

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The Louisville Metro Agency Funds are custodial in nature and do not involve measurement of results of operations. The components of the Louisville Metro Agency Funds are:

The Tax Collections and Other Receipts Agency Fund is used to account for the collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, special taxes, interest and penalties, and interest earned on investments.

The Louisville Water Company Agency Fund collects any dividends paid on the stock of the Louisville Water Company.

The Bond Proceeds Agency Fund is used to account for the proceeds of various Louisville Metro Government general obligation bond issues.

The Current Debt Requirement Agency Fund is used to accumulate funds from Louisville Metro Government tax collections to pay the annual principal and interest requirements on Louisville Metro Government's general obligation bonded debt.

Combining Statement of Fiduciary Net Assets - Louisville Metro Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2008

	<b>Tax Collections and Other Receipts Agency Fund</b>	<b>Current Debt Requirement Agency Fund</b>	<b>Totals</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Due from Enterprise Fund	\$ 29,026,152	\$ 640,761	\$ 29,666,913
<b>Total Assets</b>	<u>\$ 29,026,152</u>	<u>\$ 640,761</u>	<u>\$ 29,666,913</u>
<b>Liabilities</b>			
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service		\$ 640,761	\$ 640,761
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds-tax collections and other income	<u>\$ 29,026,152</u>	<u>                    </u>	<u>29,026,152</u>
<b>Total Liabilities</b>	<u>\$ 29,026,152</u>	<u>\$ 640,761</u>	<u>\$ 29,666,913</u>

See Independent Auditors' Report

Combining Statement of Changes in Assets and Liabilities - Louisville Metro Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**  
A Component Unit of the Louisville/Jefferson County Metro Government

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<b><u>Tax Collections and Other Receipts Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	\$ 24,959,756	\$ 331,157,337	\$ 327,090,941	\$ 29,026,152
<b>Liabilities</b>				
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds- tax collections and other income	\$ 24,959,756	\$ 331,157,337	\$ 327,090,941	\$ 29,026,152
	<u>\$ 24,959,756</u>	<u>\$ 331,157,337</u>	<u>\$ 327,090,941</u>	<u>\$ 29,026,152</u>
<b><u>Current Debt Requirement Agency Fund</u></b>				
<b>Assets</b>				
Cash with paying agents		\$ 10,950,857	\$ 10,950,857	
Due from Enterprise Fund	\$ 640,761			\$ 640,761
	<u>\$ 640,761</u>	<u>\$ 10,950,857</u>	<u>\$ 10,950,857</u>	<u>\$ 640,761</u>
<b>Liabilities</b>				
Amounts held for Louisville/Jefferson Country Metro Government, restricted for debt service	\$ 640,761	\$ 10,950,857	\$ 10,950,857	\$ 640,761
	<u>\$ 640,761</u>	<u>\$ 10,950,857</u>	<u>\$ 10,950,857</u>	<u>\$ 640,761</u>

Continued

Combining Statement of Changes in Assets and Liabilities - Louisville Metro Agency Funds--Continued

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>
<b><u>Totals - Louisville Metro Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agents		\$ 10,950,857	\$ 10,950,857	
Due from Enterprise Fund	\$ 25,600,517	331,157,337	327,090,941	\$ 29,666,913
<b>Total Assets</b>	<b>\$ 25,600,517</b>	<b>\$ 342,108,194</b>	<b>\$ 338,041,798</b>	<b>\$ 29,666,913</b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761	\$ 10,950,857	\$ 10,950,857	\$ 640,761
Payable to Louisville/ Jefferson County Metro Government: Louisville Metro Agency Funds	24,959,756	331,157,337	327,090,941	29,026,152
<b>Total Liabilities</b>	<b>\$ 25,600,517</b>	<b>\$ 342,108,194</b>	<b>\$ 338,041,798</b>	<b>\$ 29,666,913</b>

See Independent Auditors' Report

Analysis of Louisville Metro Accounts Agency Funds Due From Enterprise Fund Accounts

**Louisville/Jefferson County Metro Revenue Commission**

A Component Unit of the Louisville/Jefferson County Metro Government

Year Ended June 30, 2008

	<b>Tax Collections and Other Receipts Agency Fund</b>	<b>Louisville Water Company Agency Fund</b>	<b>Current Debt Requirement Agency Fund</b>	<b>Totals</b>
<b>Receipts and Additions</b>				
Occupational license fees and other special tax collections				
Employees' license fees	\$ 206,864,476			\$ 206,864,476
License fees based on business net profits	44,414,273			44,414,273
Insurance premium license fees	53,497,993			53,497,993
Truck and trailer license fees	119,731			119,731
Interest and penalties charged taxpayers	3,041,461			3,041,461
Interest earned on investments	1,806,446			1,806,446
Dividends - Louisville Water Company		\$ 18,531,912		18,531,912
Expenses paid by Louisville Metro Government	2,881,045			2,881,045
<b>Total Receipts and Additions</b>	<b>312,625,425</b>	<b>18,531,912</b>		<b>331,157,337</b>
<b>Disbursements and Deletions</b>				
Payments to Louisville Metro Government	295,353,154	18,531,912		313,885,066
Collection fee paid to the Enterprise Fund	2,288,349			2,288,349
Collections remitted to paying agents for Louisville Metro Government debt service:				
Principal			\$ 5,335,000	5,335,000
Interest			5,582,526	5,582,526
<b>Total Disbursements and Deletions</b>	<b>297,641,503</b>	<b>18,531,912</b>	<b>10,917,526</b>	<b>327,090,941</b>
<b>Excess of Receipts and Additions Over (Under) Disbursements and Deletions</b>	<b>14,983,922</b>	<b>-</b>	<b>(10,917,526)</b>	<b>4,066,396</b>
<b>Interfund Transfers</b>	<b>(10,917,526)</b>		<b>10,917,526</b>	
<b>Due from Enterprise Fund, Beginning of Year</b>	<b>25,600,517</b>	<b>-</b>		<b>25,600,517</b>
<b>Due from Enterprise Fund, End of Year</b>	<b>\$ 29,666,913</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,666,913</b>

See Independent Auditors' Report

**Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
with *Government Auditing Standards***



Commissioners  
Louisville/Jefferson County  
Metro Revenue Commission  
Louisville, Kentucky

We have audited the financial statements of the proprietary fund and fiduciary funds of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the year ended June 30, 2008, which collectively comprise the Metro Revenue Commission's basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Metro Revenue Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Metro Revenue Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metro Revenue Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Metro Revenue Commission's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Metro Revenue Commission's financial statements that is more than inconsequential will not be prevented or detected by Metro Revenue Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Metro Revenue Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro Revenue Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commissioners, management and others within the Metro Revenue Commission and is not intended to be and should not be used by anyone other than these specified parties.

STROTHMAN & COMPANY PSC

Louisville, Kentucky  
October 30, 2008